

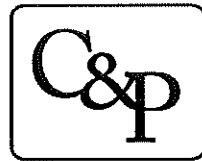
TOWN OF CLARKDALE, ARIZONA

Annual Financial Statements
and Independent Auditors' Report
June 30, 2009

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COLBY &
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INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Clarkdale, Arizona

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Town of Clarkdale, Arizona as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Clarkdale, Arizona's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clarkdale, Arizona, as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2010, on our consideration of the Town of Clarkdale, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information, and Schedule of Agent Retirement Plans' Funding Progress on pages iii through xvii, 27 through 29, and 30, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Colby & Powell

February 3, 2010

TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
June 30, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

We, the Town of Clarkdale, Arizona, are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2009. The intended purpose of Management's Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes, that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, significant economic factors, and the status of infrastructure and its impacts on our debt and operations. We encourage readers to consider the information presented here in conjunction with the Town's financial statements following this section.

FINANCIAL HIGHLIGHTS

- ❖ Net Assets of the Town increased 0.96%, between fiscal years 2008 and 2009. Total assets exceeded liabilities by \$5,412,609. The 2009 governmental activities net assets increased 10.23% and the business-type activities decreased 4.77%.
- ❖ The governmental activities revenues total \$3,509,736 and expenses total \$3,300,029, resulting in an increase in net assets of \$209,707. This net increase is a result of expenses of the governmental activities being decreased by 17.85%.
- ❖ Local sales, property, and franchise taxes are the largest revenue source for governmental activities, accounting for 31.15% of total revenues with State Shared Revenues accounting for 29.97% of the total revenues.
- ❖ Expenditures for the governmental activities total \$3,300,029. Public Safety activities account for 30.67%, Highway and Streets spent 17.67% of the expenditures, Culture and Recreation 7.15%, and General Government services accounted for 44.51% of total expenditures for 2009.
- ❖ As of the end of the current fiscal year the Town's governmental funds reported combined ending fund balances of \$293,117, an increase of \$3,759 in comparison with the prior year.
- ❖ General Fund actual revenues of \$2,546,340, were lower than budgeted revenues of \$3,144,016 by \$597,676, or 19%, while General Fund actual expenditures of \$2,506,886, were lower than budgeted expenditures of \$3,040,487 by \$533,601, or 17.55%.

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OVERVIEW OF THE FINANCIAL STATEMENTS

The Annual Financial Report (AFR) for the Town of Clarkdale, Arizona consists of four parts:

1. *The Management's Discussion and Analysis* provides a brief discussion of the basic financial statements, annual comparisons of the government-wide financial statements, and analysis of government's overall financial position.
2. *Basic Financial Statements*:
 - ❖ *Government-wide Financial Statements* provide both long-term and short-term information about the Town's overall financial status.
 - ❖ *Fund Financial Statements* focus on the individual parts of Town government and report the Town's operations in more detail than the government-wide statements.
 - ❖ *Notes to the Financial Statements* explain some of the information in the financial statements and provide more detailed data.
3. *Required Supplementary Information* further explains and supports the information in the financial statements.
4. *Supplementary Information* provides detailed budgetary comparison schedules and combines details about the non-major governmental funds.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Clarkdale's finances in a manner similar to private sector business. The statements distinguish between governmental and business type activities.

Governmental activities include the Town's basic services, such as general government (administration, court, attorneys, insurance, buildings), public safety (police), public works, leisure activities (parks), community development (zoning), and library, and are mainly financed through taxes and intergovernmental revenues.

Business-type activities include the water and sewer utility, cemetery, and sanitation and are financed by fees charged to cover the costs of services they provide.

The *Statement of Net Assets* presents information on all of the Town of Clarkdale's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. (The Statement of Net Assets can be found on Page 1 of this report)

The *Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash

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flows. The statement shows the degree to which the direct expenses of a function are offset by program revenues. (The Statement of Activities can be found on Page 2 of this report)

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Clarkdale, like other state and local governments, uses fund accounting to ensure compliance with finance-related legal requirements.

All of the funds within the Town can be divided into three categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*. The governmental and proprietary categories are organized as major funds or non-major funds, with an emphasis placed on major funds, as the GASB standards require. A fund is considered major if it is a primary operating fund of the Town or meets certain defined criteria.

Governmental Funds – Most of the Town's basic services are included in governmental funds which focus on how cash, and other financial assets that can be converted to cash, flow in and out, along with the balances left at the end of the year that are available for spending. The governmental fund financial statements tell how general government services were funded as well as what future spending remains. Because fund financial statements do not include the additional long-term focus of government-wide statements, additional information is provided at the bottom of the governmental fund financial statements explaining the difference between them. (The Governmental Funds financial statements can be found on pages 3-6 of this report)

- ❖ General Fund - Accounts for the Town's primary operating activities and is used to account for all financial resources, except those required to be accounted for in another fund.
- ❖ HURF/LTAF Fund - Accounts for specific revenue received from the State of Arizona Highway User Revenue Fund and from State of Arizona Local Transportation Assistance Fund which are legally restricted to expenditures for street repairs and maintenance.

The remaining funds are classified as non-major governmental (Other Governmental) funds:

- ❖ Grants Fund
- ❖ Impact Fees Fund
- ❖ Developer Reimbursement Fund
- ❖ Capital Improvement Fund
- ❖ Cemetery Perpetual Care Fund
- ❖ Donations Fund
- ❖ Court Enhancement Fund

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Proprietary Funds – Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Clarkdale uses an enterprise fund to account for its water, wastewater treatment (sewer), sanitation (trash collection) and cemetery operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. (The Proprietary Fund financial statements can be found on pages 7-9 of this report)

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. (The Notes to Financial Statements can be found on pages 11-26 of this report)

Supplemental Information

In addition to the basic financial statements and accompanying notes, required supplementary information presents a budgetary comparison schedule for the General Fund to demonstrate compliance with the budget. Additionally, governments are required to disclose certain information about employee pension funds which has been disclosed in Note 9 to the financial statements. (Required supplementary information and schedules can be found on pages 27-30 of this report)

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GOVERNMENT-WIDE FINANCIAL ANALYSIS

Condensed Statement Of Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2009	2008	2009	2008	2009	2008
ASSETS						
Current and other assets	543,692	631,037	6,714,835	6,729,559	7,258,527	7,360,596
Capital assets						
Non-depreciable	563,785	568,785	970,537	1,109,577	1,534,322	1,678,362
Depreciable (net)	<u>1,928,519</u>	<u>1,813,682</u>	<u>6,252,193</u>	<u>6,383,135</u>	<u>8,180,712</u>	<u>8,196,817</u>
Total Assets	<u>3,035,996</u>	<u>3,013,504</u>	<u>13,937,565</u>	<u>14,222,271</u>	<u>16,973,561</u>	<u>17,235,775</u>
LIABILITIES						
Other liabilities	115,709	111,959	3,204,729	3,140,046	3,320,438	3,252,005
Noncurrent liabilities						
Due within one year	275,870	263,852	203,358	54,035	479,228	317,887
Due in more than one year	<u>383,890</u>	<u>586,873</u>	<u>7,377,396</u>	<u>7,718,396</u>	<u>7,761,286</u>	<u>8,305,269</u>
Total Liabilities	<u>775,469</u>	<u>962,684</u>	<u>10,785,483</u>	<u>10,912,477</u>	<u>11,560,952</u>	<u>11,875,161</u>
NET ASSETS						
Invested in capital assets, of related debt	1,961,346	1,655,401	4,052,812	4,095,942	6,014,158	5,751,343
Restricted	-	129,274	304,218	296,532	304,218	425,806
Unrestricted	<u>299,181</u>	<u>266,145</u>	<u>(1,204,948)</u>	<u>(1,082,680)</u>	<u>(905,767)</u>	<u>(816,535)</u>
Total Net Assets	<u>2,260,527</u>	<u>2,050,820</u>	<u>3,152,082</u>	<u>3,309,794</u>	<u>5,412,609</u>	<u>5,360,614</u>
CHANGE IN NET ASSETS	209,707		(157,712)		51,995	
PERCENTAGE CHANGE	10.23%		-4.77%		0.96%	
IN NET ASSETS						

Net Assets: Net assets may serve over time as useful indicators of a government's financial position. The table above reflects the condensed Statement of Net Assets of the Town showing that net assets increased 0.96%, between fiscal years 2008 and 2009. The 2009 governmental net assets increased 10.23% and the business-type activities decreased 4.77%.

Net assets consist of three components. The largest portion of the Town of Clarkdale's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town of Clarkdale uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An

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additional portion of the Town's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.

Condensed Statement Of Changes In Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
Program Revenues						
Fees, Fines, Charges for Services	560,162	540,628	1,719,165	1,867,762	2,279,327	2,408,390
Operating Grants & Contributions	362,058	175,554	-		362,058	175,554
Capital Grants & Contributions	401,535	328,976	9,414	185,799	410,949	514,775
General Revenues						
Local Taxes	1,093,363	1,169,700	-		1,093,363	1,169,700
State Shared Revenues	1,051,969	1,081,461			1,051,969	1,081,461
Investment Earnings	5,891	50,989		123,700	5,891	174,689
Miscellaneous	34,758	96,022	(7,049)		27,709	96,022
Total Revenues	3,509,736	3,443,330	1,721,530	2,177,261	5,231,266	5,620,591
Expenses						
General Government	1,468,830	1,622,720			1,468,830	1,622,720
Public Safety	1,012,116	1,461,795			1,012,116	1,461,795
Highway and Streets	583,121	635,383			583,121	635,383
Culture and Recreation	235,962	297,056			235,962	297,056
Wastewater	-		432,066	548,862	432,066	548,862
Sanitation	-		253,182	275,199	253,182	275,199
Cemetery	-		54,389	83,742	54,389	83,742
Water	-	-	1,139,605	1,268,887	1,139,605	1,268,887
Total Expenses	3,300,029	4,016,954	1,879,242	2,176,690	5,179,271	6,193,644
Change in Net Assets	209,707	(573,624)	(157,712)	571	51,995	(573,053)
Net Assets Beginning of Year	2,050,820	2,624,444	3,309,794	3,309,223	5,360,614	5,933,667
Net Assets - End of Year	2,260,527	2,050,820	3,152,082	3,309,794	5,412,609	5,360,614

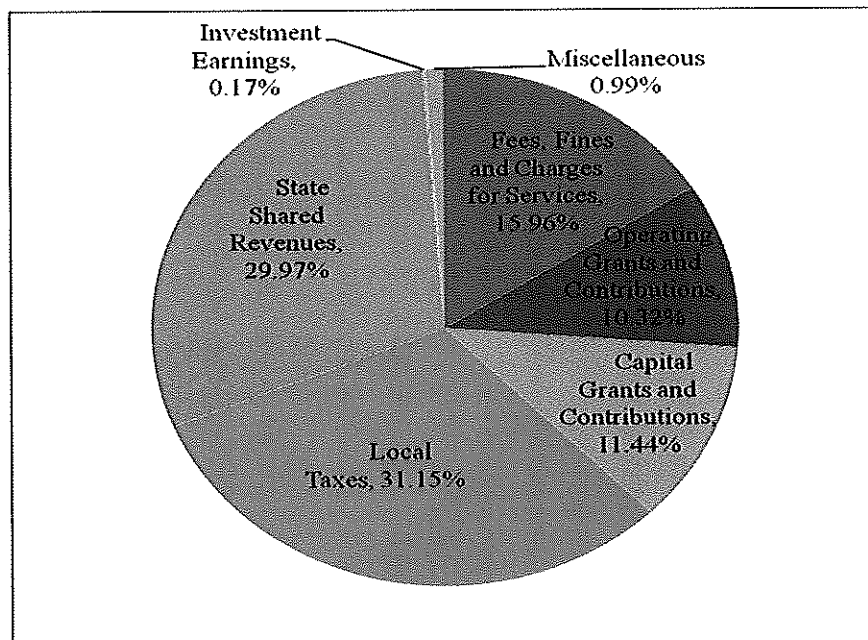
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Change in Net Assets: The Town's 2009 revenues total \$3,509,736 and expenses total \$3,300,029, resulting in an increase in net assets of \$209,707. This net increase is a result of expenses of the governmental activities being decreased by 17.85%, mainly due to the 10% furlough initiated at mid-year. Limited spending, which included not opening the swimming pool for the 2009 season also added to the decrease in expenditures. The activity of the Sanitation Fund did not significantly change during the fiscal year. The 10% furlough is also reflected in the decreases in the Wastewater, Water and Cemetery funds. The reduction in Water Fund operating revenue was a result of increased water conservation by the Town of Clarkdale residents.

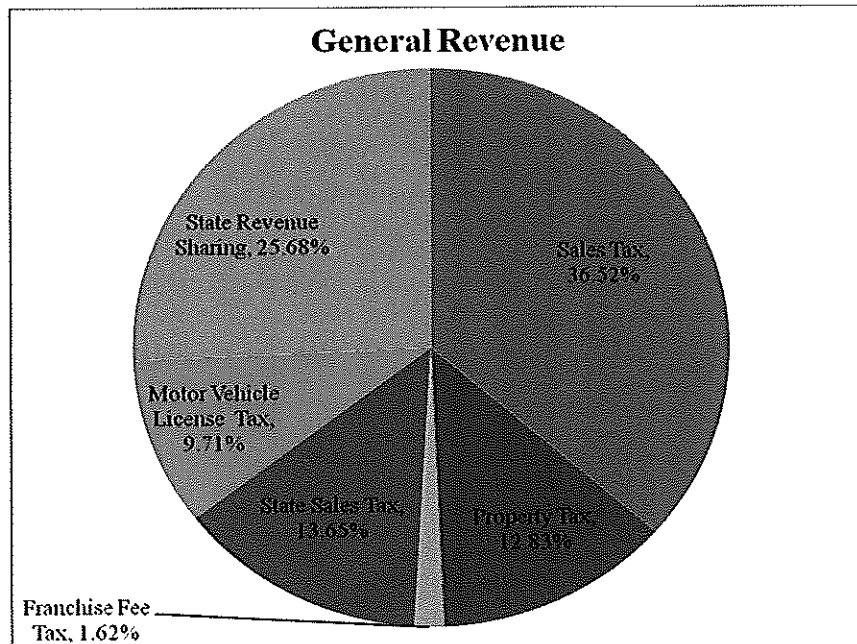
Governmental Activities:

Revenues for the Town's governmental activities total \$3,509,736, with the local taxes being the largest revenue source for governmental activities, accounting for 31.15% of total revenues. State Shared Revenues account for 29.97% of the total revenues. Charges for services contribute 15.96% of the total revenues, along with operating grants, which are comprised of HURF and LTAF revenues, contributing 10.32% of the total revenues. CDBG Grant funds received by Highways and Streets made up the majority of the Capital Grants and Contributions which was 11.44% of total revenues.

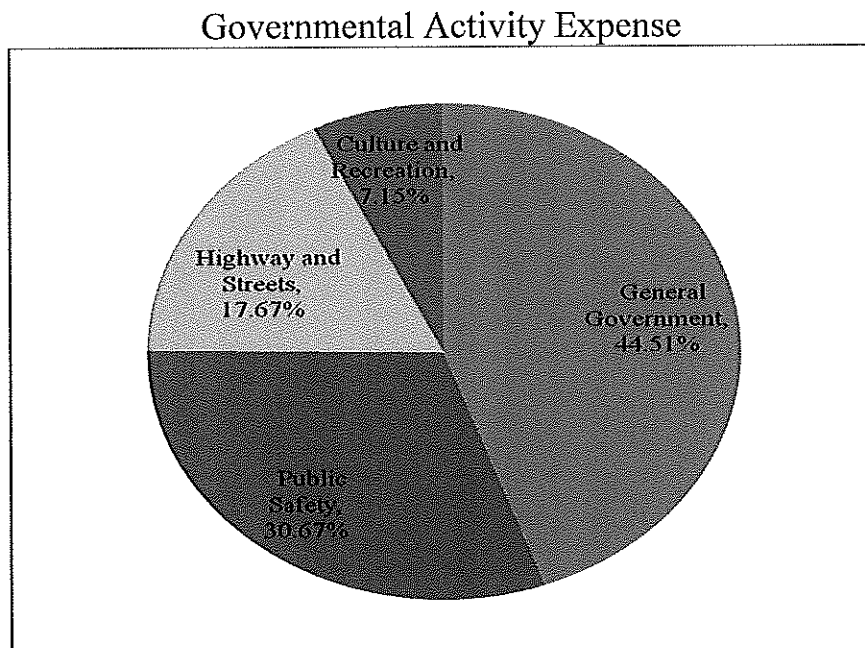
Governmental Activity Revenue



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Expenditures for the Town's governmental activities total \$3,300,029. Public Safety activities account for 30.67%. Highway and Streets spent 17.67% of the expenditures, Culture and Recreation 7.15%, and General Government services accounted for 44.51% of total expenditures for 2009. General Government services include Administration, Library, Community Development, Finance, Court, Buildings, and Grounds.



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Net Cost of Town of Clarkdale Activities

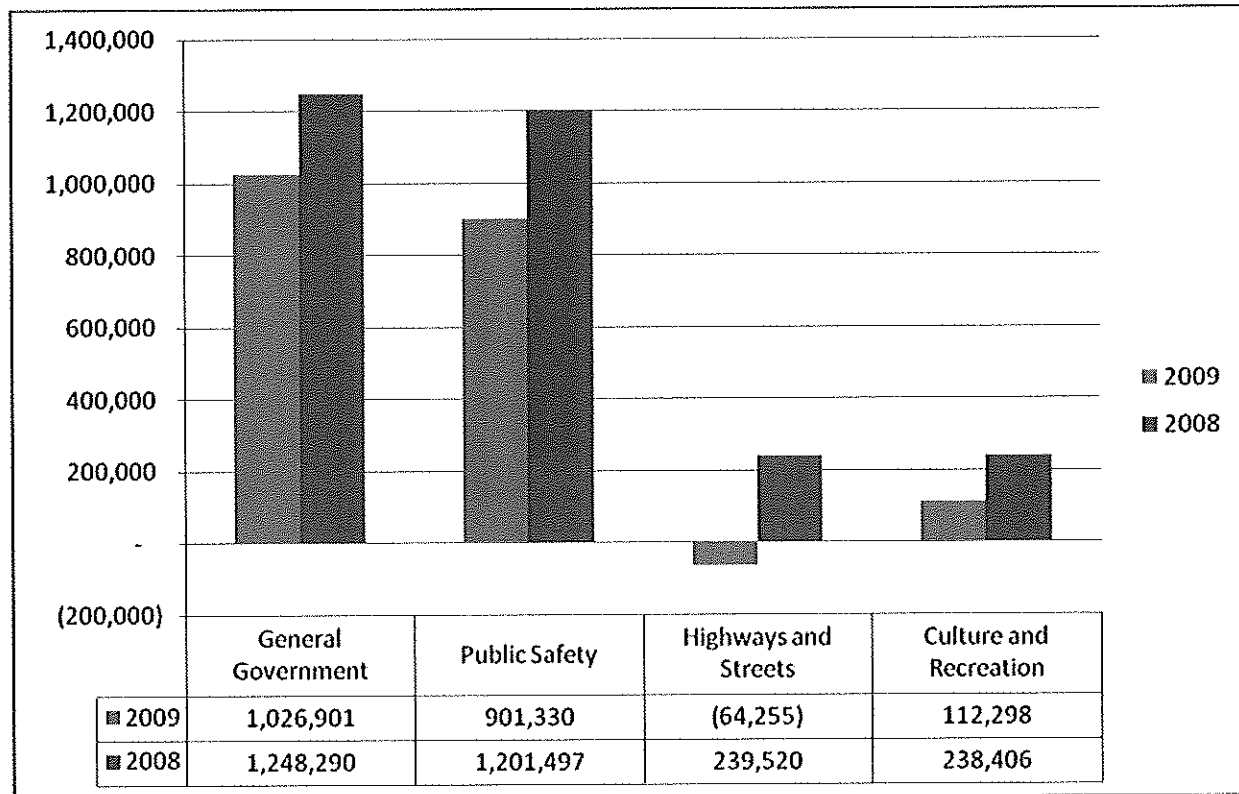
Governmental Activities

The following table presents the total cost of each of the Town's activities as well as their net cost. The net costs are the total costs less fees generated by the activities, direct intergovernmental aid, and capital grants and contributions. The net cost of all governmental activities during 2009 was \$1,976,274 which was a decrease of 32.50% from 2008 due to the 10% furlough initiated at mid-year, not opening the swimming pool for the 2009 season, and the timing of the CDBG expenditures versus reimbursement under Highways and Streets.

Net Cost of Services – Governmental Activities

	Cost of Services		Direct Revenues		Net Cost of Services	
	2009	2008	2009	2008	2009	2008
General Government	1,468,830	1,622,720	441,929	374,430	1,026,901	1,248,290
Public Safety	1,012,116	1,461,795	110,786	260,298	901,330	1,201,497
Highways and Streets	583,121	635,383	647,376	395,863	(64,255)	239,520
Culture and Recreation	<u>235,962</u>	<u>297,056</u>	<u>123,664</u>	<u>58,650</u>	<u>112,298</u>	<u>238,406</u>
Total	3,300,029	4,016,954	1,323,755	1,089,241	1,976,274	2,927,713

Net Cost of Services



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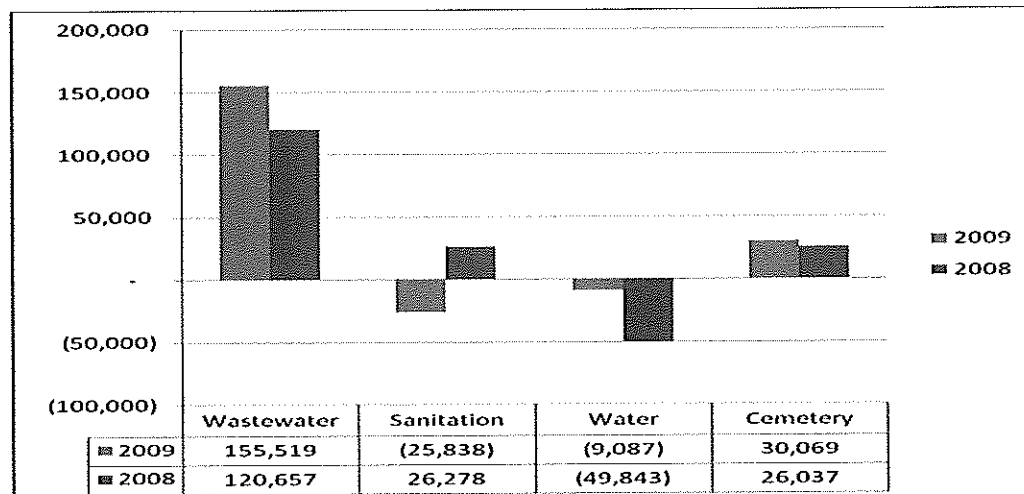
Business-type Activities

Net cost of the water program decreased by \$40,756, to (\$9,087) although revenue was still great enough to cover expenses. This was a result of operating revenues decreasing by 12.89% due to water conservation and operating expenses decreasing 10.19% due to the Town taking over utility billing and reading of meters from Cottonwood. The wastewater program net cost increased from \$120,657 in 2008 to \$155,519 in 2009, or 28.89%. The wastewater rates were increased at the end of 2009 and should be reflected in 2010.

Net Cost of Services- Business-Type Activities

	Program Expenses		Program Revenues		Net Cost of Program	
	2009	2008	2009	2008	2009	2008
Wastewater	432,066	548,862	276,547	428,205	155,519	120,657
Sanitation	253,182	275,199	279,020	248,921	(25,838)	26,278
Water	1,139,605	1,268,887	1,148,692	1,318,730	(9,087)	(49,843)
Cemetery	<u>54,389</u>	<u>83,742</u>	<u>24,320</u>	<u>57,705</u>	<u>30,069</u>	<u>26,037</u>
Total	1,879,242	2,176,690	1,728,579	2,053,561	150,663	123,129

Net Cost of Service – Business-Type Activities



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Town of Clarkdale's Capital Assets

In the governmental-wide financial statement, fixed assets are accounted for as capital assets. Capital assets are defined as assets with an initial cost of more than \$5,000.

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Capital Assets Not Being Depreciated						
Land	563,785	568,785	491,929	630,969	1,055,714	1,199,754
Construction in Progress			478,608	478,608	478,608	478,608
Capital Assets	563,785	568,785	970,537	1,109,577	1,534,322	1,678,362
Capital Assets Being Depreciated						
Buildings and Improvements	1,825,528	1,874,028			1,825,528	1,874,028
Infrastructure	751,529	422,187			751,529	422,187
Machinery and Equipment	387,441	449,819			387,441	449,819
Vehicles	692,079	704,079			692,079	704,079
Sewer Plant and Equipment			4,451,604	4,312,564	4,451,604	4,312,564
Water Distribution System			3,494,380	3,430,770	3,494,380	3,430,770
Total	3,656,577	3,450,113	7,945,984	7,743,334	11,602,561	11,193,447
Accumulated Depreciation						
Buildings and Improvements	1,110,605	1,111,239			1,110,605	1,111,239
Infrastructure	75,448	45,472			75,448	45,472
Machinery and Equipment	162,158	169,201			162,158	169,201
Vehicles	379,847	310,519			379,847	310,519
Sewer			800,959	737,829	800,959	737,829
Water			892,832	622,370	892,832	622,370
Total Depreciation	1,728,058	1,636,431	1,693,791	1,360,199	3,421,849	2,996,630
Net Total Capital Assets	1,928,519	1,813,682	6,252,193	6,383,135	8,180,712	8,196,817
Being Depreciated						
TOTAL CAPITAL ASSETS	2,492,304	2,382,467	7,222,730	7,492,712	9,715,034	9,875,179

The Town had capital assets of \$2,492,304 in the governmental activities and \$7,222,730 in the business-type activities for a total of \$9,715,304 at the end of 2009. The largest investment in capital assets was the wastewater plant and equipment. Of the total Capital Assets, the governmental activities account for 25.65% and the business-type activities total 74.35%. The business-type activities represent the water utility with 36.02% of the business-type capital assets and the sewer utility having 63.98% of the business-type capital assets. For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 4 in the Notes to the Financial Statements for further information regarding capital assets.

Major capital asset events during the current fiscal year included the following:

- Additions to the water and wastewater infrastructure
- Improvements in existing water and wastewater infrastructure

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Long-term Liabilities

At the end of the current fiscal year, the Town of Clarkdale had total long-term obligations outstanding of \$8,240,514, of which Governmental activities were 8% and Business-type activities accounted for 92%. All outstanding debt is secured by pledges of specific revenue sources of the Town, with the Business-type activities liabilities payable by revenues from user fees of those funds.

Long Term Liabilities

	2009	2008
Governmental Activities		
Compensated absences	128,802	123,659
Capital leases payable	280,958	452,066
Notes payable	250,000	275,000
Long-term Liabilities	<u>659,760</u>	<u>850,725</u>
Business-type Activities		
Compensated absences	31,144	35,144
Bonds payable	285,000	305,000
Notes payable	7,065,000	7,225,000
Deferred amount on premium	<u>199,610</u>	<u>207,287</u>
Long-term Liabilities	<u>7,580,754</u>	<u>7,772,431</u>
Total Long Term	8,240,514	8,623,156
Liabilities		

Financial Analysis of the Town's Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year the Town's total governmental funds reported combined ending fund balances of \$293,117, an increase of \$3,759 in comparison with the prior year. The general fund balance of the Town decreased by \$(183,546) during the current fiscal year mainly due to the decrease in collected general fund revenues in a weakening economy.

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At fiscal year-end fund balances were as follows:

Change in Fund Balances/Net Assets

	2009	2008	Change
Governmental			
General Fund	(9,384)	174,162	(183,546)
HURF Fund	(41,405)	(37,727)	(3,678)
Other Governmental Funds	343,906	152,923	190,983
Total	293,117	289,358	3,759
Business Type			
Wastewater Fund	2,339,491	2,494,394	(154,903)
Sanitation Fund	284,475	258,637	25,838
Water Fund	604,496	603,074	1,422
Cemetery Fund	(76,380)	(46,311)	(30,069)
Total	3,152,082	3,309,794	(157,712)

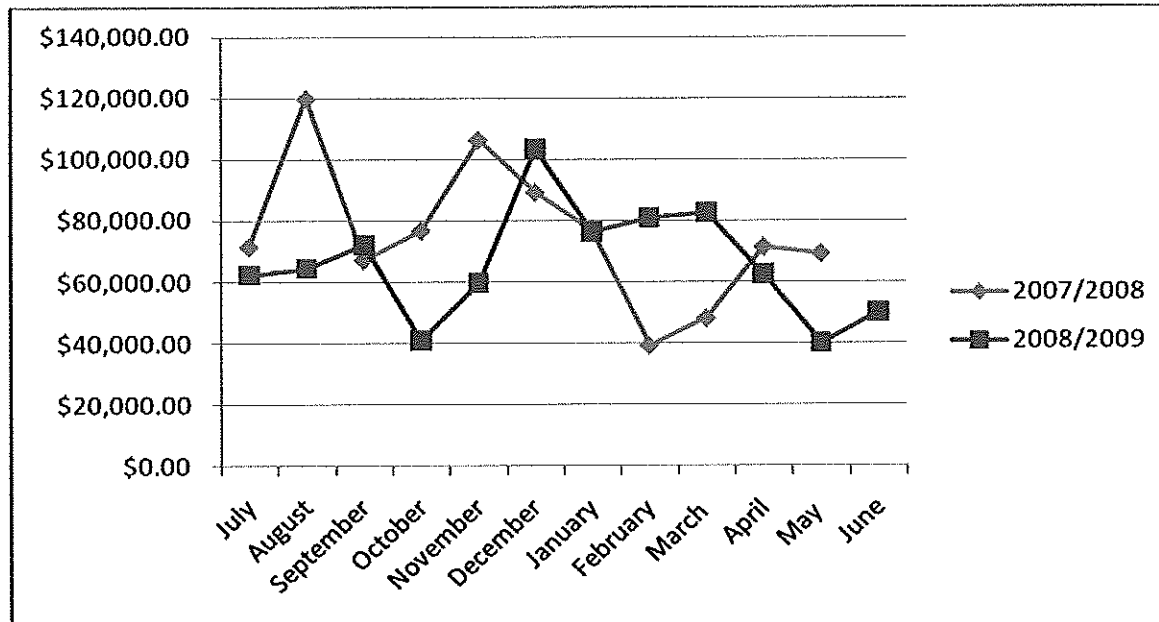
Budgetary Highlights

The Town's annual budget is the legally adopted expenditure control document of the Town. Budgetary comparison statements are required for the General fund and all major special revenue funds and may be found on pages 27-29. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

General Fund actual revenues of \$2,546,340, were lower than budgeted revenues of \$3,144,016 by \$597,676, or 19% while General Fund actual expenditures of \$2,506,886, were lower than budgeted expenditures of \$3,040,487 by \$533,601, or 17.55%. The revenue variances were primarily due to the economic downturn reflected in local sales tax revenues and permits being lower than expected. Expenditures were reduced to reflect the revenue shortfall mainly through the implementation a 10% furlough program along with not opening the swimming pool for the 2009 season.

TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
June 30, 2009

Local Sales Tax Collection Comparison



ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- ❖ Town reaction to the local sales tax shortfall was to implement a 10% furlough program for all staff, including Council as of January, 2009. The furlough included closing all Town offices on Friday in an effort to realize additional utility cost savings.
- ❖ Due to budgetary shortfalls, the swimming pool was not opened for the 2009 pool season. The swimming pool was not budgeted to open for the 2010 season due to the lack of revenues to fund the program as well.
- ❖ There were no merit or COLA increases for staff along with a reorganization of Town staff which was instituted in February of 2009 to cover unfunded position vacancies due to the budgetary shortfalls.
- ❖ Due to the reorganization of staff, the leased temporary building being used for the utility and public works department offices was returned in order to have additional cost savings.
- ❖ A Water Technician was hired to read water meters as the Utility Department took over the water utility reading and billing process from the City of Cottonwood in 2008. The Town will be taking over total operations of the water utility from the City of Cottonwood effective June 1, 2009.

TOWN OF CLARKDALE, ARIZONA
Management's Discussion and Analysis
June 30, 2009

- ❖ Due to the economic downturn, the actual construction sales tax revenue collected was only 51% of the budgeted revenue in 2009.
- ❖ The Town approved raising the local sales tax from 2.25% to 3% effective June 1, 2009, and conservatively budgeted for local sales tax for 2010 even though local sales tax was raised.
- ❖ The Town approved raising property tax for 2010 from \$.71 to \$.9120 per \$100 of value.
- ❖ A Voluntary Early Retirement Program (VERIP) was developed in which four employees took advantage of and is reflected in the 2010 budget.
- ❖ Sewer rates were raised from \$20.47 per month to \$28.00 per month which reflected a 36.79% increase in the rate effective with the June, 2009 billing.
- ❖ There was an emphasis on volunteer recruitment for the 2010 budget in which the Concerts in the Park Series was funded by donations and the July 4th and Halloween events were staffed by volunteers.
- ❖ Developer bankruptcy proceedings were still in progress.

Contacting The Town's Financial Management

This financial report is designed to provide a general overview of the Town's finances for all of those with an interest and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to:

Town of Clarkdale
Finance Department
P.O. Box 308
Clarkdale, AZ 86324
(928) 639-2400

Or visit our website at:
<http://www.clarkdale.az.us>

TOWN OF CLARKDALE, ARIZONA
Statement of Net Assets
June 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 276,122	\$ 2,509,416	\$ 2,785,538
Cash and cash equivalents - restricted	-	3,416,498	3,416,498
Investments - restricted	-	25,043	25,043
Accounts receivable - net	-	147,982	147,982
Taxes receivable	57,321	-	57,321
Due from other governments	87,582	-	87,582
Other accounts receivable	122,667	95,045	217,712
Interest receivable	-	3,781	3,781
Interest receivable - restricted	-	616	616
Bond issue costs, net	-	6,926	6,926
Deferred charges, net	-	509,528	509,528
Capital assets, not being depreciated	563,785	970,537	1,534,322
Capital assets, being depreciated, net	1,928,519	6,252,193	8,180,712
Total assets	3,035,996	13,937,565	16,973,561
LIABILITIES			
Accounts payable	68,355	65,998	134,353
Accrued expenses	38,159	8,643	46,802
Interest payable	-	8,874	8,874
Deferred revenue	9,195	3,038,829	3,048,024
Refundable deposits	-	82,385	82,385
Noncurrent liabilities			
Due within 1 year	275,870	203,358	479,228
Due in more than 1 year	383,890	7,377,396	7,761,286
Total liabilities	775,469	10,785,483	11,560,952
NET ASSETS			
Invested in capital assets, net of related debt	1,961,346	4,052,812	6,014,158
Restricted for:			
Debt service	-	95,833	95,833
System improvements	-	208,385	208,385
Unrestricted (deficit)	299,181	(1,204,948)	(905,767)
Total net assets	\$ 2,260,527	\$ 3,152,082	\$ 5,412,609

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Statement of Activities
Year Ended June 30, 2009

Functions / Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities						
General government	\$ 1,468,830	\$ 427,947	\$ 3,750	\$ (1,026,901)	\$ -	\$ (1,026,901)
Public safety	1,012,116	105,744	2,880	(901,330)	-	(901,330)
Highways and streets	583,121	19,904	298,130	64,255	-	64,255
Culture and recreation	235,962	6,567	57,298	(112,298)	-	(112,298)
Total governmental activities	3,300,029	560,162	362,058	(1,976,274)	-	(1,976,274)
Business-type activities						
Wastewater	432,066	269,455	-	-	(155,519)	(155,519)
Sanitation	253,182	279,020	-	-	25,838	25,838
Water	1,139,605	1,146,370	-	-	9,087	9,087
Cemetery	54,389	24,320	-	-	(30,069)	(30,069)
Total business-type activities	1,879,242	1,719,165	-	-	(150,663)	(150,663)
Total primary government	\$ 5,179,271	\$ 2,279,327	\$ 362,058	(1,976,274)	(150,663)	(2,126,937)
General revenue:						
Taxes:						
Sales Taxes				783,370	-	783,370
Property taxes				275,285	-	275,285
Franchise tax				34,708	-	34,708
State sales tax revenue sharing				292,793	-	292,793
Auto lieu tax revenue sharing				208,261	-	208,261
State revenue sharing				550,915	-	550,915
Investment income				5,891	(7,049)	(1,158)
Miscellaneous				34,758	-	34,758
Total general revenue				2,185,981	(7,049)	2,178,932
Change in net assets				209,707	(157,712)	51,995
Net assets, July 1, 2008, restated				2,050,820	3,309,794	5,360,614
Net assets, June 30, 2009				\$ 2,260,527	\$ 3,152,082	\$ 5,412,609

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2009

	General Fund	HURF/LTAF Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 271,822	\$ 271,822
Cash held in escrow	4,300	-	-	4,300
Taxes receivable	57,321	-	-	57,321
Due from other governments	34,182	24,897	28,503	87,582
Other receivable	-	-	122,667	122,667
Due from other funds	-	-	65,377	65,377
Total assets	<u>\$ 95,803</u>	<u>\$ 24,897</u>	<u>\$ 488,369</u>	<u>\$ 609,069</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 63,008	\$ 4,749	\$ 598	\$ 68,355
Accrued expenses	30,472	4,013	3,674	38,159
Deferred revenue	3,870	-	140,191	144,061
Due to other funds	7,837	57,540	-	65,377
Total liabilities	<u>105,187</u>	<u>66,302</u>	<u>144,463</u>	<u>315,952</u>
Fund balances				
Unreserved, reported in:				
General fund	(9,384)	-	-	(9,384)
Special revenue funds	-	(41,405)	343,906	302,501
Total fund balances	<u>(9,384)</u>	<u>(41,405)</u>	<u>343,906</u>	<u>293,117</u>
Total liabilities and fund balances	<u>\$ 95,803</u>	<u>\$ 24,897</u>	<u>\$ 488,369</u>	<u>\$ 609,069</u>

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2009

Fund balances--total governmental funds \$ 293,117

Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Capital assets used in governmental activities
are not financial resources and therefore, are
not reported in the funds.

Capital assets	4,220,362	
Less accumulated depreciation	<u>(1,728,058)</u>	
		2,492,304

Some receivables are not available to pay for
current-period expenditures and therefore, are
deferred in the funds.

Reimbursable development expenditures	118,860	
Reimbursable grant expenditures	12,136	
Property taxes	<u>3,870</u>	
		134,866

Some liabilities, including notes payable, are
not due and payable in the current period
and therefore, are not reported in the funds

Compensated absences	(128,802)	
Notes payable	(250,000)	
Capital leases	<u>(280,958)</u>	
		<u>(659,760)</u>

Net assets of governmental activities		<u><u>\$ 2,260,527</u></u>
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The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Statement of Revenue, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2009

	General Fund	HURF/LTAF Fund	Other Governmental Funds	Total Governmental Fund
Revenue				
Taxes	\$ 1,096,430	\$ -	\$ -	\$ 1,096,430
Intergovernmental	1,079,736	297,630	424,062	1,801,428
Fines and forfeitures	51,075	-	-	51,075
Licenses and permits	54,475	-	-	54,475
Charges for services	5,164	2,239	-	7,403
Rental income	187,099	17,665	-	204,764
Contributions	32,911	-	-	32,911
Investment income	7,107	-	(1,216)	5,891
Other revenue	32,343	475	317,395	350,213
Total revenue	<u>2,546,340</u>	<u>318,009</u>	<u>740,241</u>	<u>3,604,590</u>
Expenditures				
Current				
General government	1,223,925	-	120,724	1,344,649
Public safety	919,655	-	51,739	971,394
Highways and streets	-	503,890	-	503,890
Culture and recreation	178,537	-	47,453	225,990
Capital outlay	-	-	329,342	329,342
Debt service				
Principal	161,696	34,412	-	196,108
Interest	23,073	6,385	-	29,458
Total expenditures	<u>2,506,886</u>	<u>544,687</u>	<u>549,258</u>	<u>3,600,831</u>
Excess (deficiency) of revenue over (under) expenditures	<u>39,454</u>	<u>(226,678)</u>	<u>190,983</u>	<u>3,759</u>
Other financing sources				
Transfers in	-	223,000	-	223,000
Transfers out	<u>(223,000)</u>	<u>-</u>	<u>-</u>	<u>(223,000)</u>
Total other financing sources	<u>(223,000)</u>	<u>223,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(183,546)</u>	<u>(3,678)</u>	<u>190,983</u>	<u>3,759</u>
Fund balances, July 1, 2008, restated	<u>174,162</u>	<u>(37,727)</u>	<u>152,923</u>	<u>289,358</u>
Fund balances, June 30, 2009	<u>\$ (9,384)</u>	<u>\$ (41,405)</u>	<u>\$ 343,906</u>	<u>\$ 293,117</u>

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Reconciliation of the Statement of Revenue, Expenditures,
and Changes in Fund Balances to the Statement of Activities
Governmental Funds
Year Ended June 30, 2009

Net change in fund balances--total governmental funds		\$ 3,759
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures.		
However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	329,342	
Depreciation expense	<u>(202,888)</u>	
		126,454
In the Statement of Activities, only the gain/loss on the sale of capital assets is reported whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differ from the change in fund balance by the book value of the capital assets sold		
		(16,617)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Reimbursable development expenditures	(103,923)	
Reimbursable grant expenditures	12,136	
Property taxes	<u>(3,067)</u>	
		(94,854)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.		
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Principal repaid		196,108
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.		
Change in compensated absences		<u>(5,143)</u>
Change in net assets of governmental activities		<u>\$ 209,707</u>

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Statement of Net Assets
Proprietary Funds
June 30, 2009

	Business-type Activities--Enterprise Funds				
	Wastewater Fund	Sanitation Fund	Water Fund	Cemetery Fund	Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ 1,105,421	\$ 300,098	\$ 1,103,897	\$ -	\$ 2,509,416
Cash and cash equivalents - restricted	95,833	-	3,268,380	52,285	3,416,498
Investments - restricted	-	-	25,043	-	25,043
Accounts receivable - net	23,421	13,871	70,056	40,634	147,982
Other accounts receivable	-	-	95,045	-	95,045
Interest receivable	-	-	3,781	-	3,781
Interest receivable - restricted	-	-	616	-	616
Due from other funds	112,951	-	-	-	112,951
Total current assets	1,337,626	313,969	4,566,818	92,919	6,311,332
Noncurrent assets					
Bond issue costs, net of accumulated amortization	6,926	-	-	-	6,926
Deferred charges, net of accumulated amortization	-	-	509,528	-	509,528
Capital assets, net of accumulated depreciation, where applicable:					
Land	208,560	-	283,369	-	491,929
Buildings, net	134,405	-	-	-	134,405
Utility systems, net	3,970,795	-	2,601,549	-	6,572,344
Equipment, net	24,052	-	-	-	24,052
Capital assets, net	4,337,812	-	2,884,918	-	7,222,730
Total noncurrent assets	4,344,738	-	3,394,446	-	7,739,184
Total assets	5,682,364	313,969	7,961,264	92,919	14,050,516
LIABILITIES					
Current liabilities					
Accounts payable	7,457	16,680	40,967	894	65,998
Accrued expenses	2,427	169	5,594	453	8,643
Interest payable	8,874	-	-	-	8,874
Deferred revenue	3,031,240	1,130	6,459	-	3,038,829
Refundable deposits	-	-	30,100	52,285	82,385
Due to other funds	-	-	-	112,951	112,951
Compensated absences, current	5,906	8,636	6,779	2,037	23,358
Bonds payable, current	20,000	-	-	-	20,000
Notes payable, current	-	-	160,000	-	160,000
Total current liabilities	3,075,904	26,615	249,899	168,620	3,521,038
Noncurrent liabilities					
Compensated absences	1,969	2,879	2,259	679	7,786
Bonds payable	265,000	-	-	-	265,000
Notes payable	-	-	7,104,610	-	7,104,610
Total noncurrent liabilities	266,969	2,879	7,106,869	679	7,377,396
Total liabilities	3,342,873	29,494	7,356,768	169,299	10,898,434
Net assets					
Invested in capital assets, net of related debt	4,052,812	-	-	-	4,052,812
Restricted for:					
Debt service	95,833	-	-	-	95,833
System improvements	7,092	-	201,293	-	208,385
Unrestricted (deficit)	(1,816,246)	284,475	403,203	(76,380)	(1,204,948)
Total net assets	\$ 2,339,491	\$ 284,475	\$ 604,496	\$ (76,380)	\$ 3,152,082

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Statement of Revenue, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2009

	Business-type Activities--Enterprise Funds				
	Wastewater Fund	Sanitation Fund	Water Fund	Cemetery Fund	Total
Operating revenue					
Charges for services					
Wastewater (bad debts of \$12)	\$ 269,455	\$ -	\$ -	\$ -	\$ 269,455
Sanitation	-	279,020	-	-	279,020
Water (bad debts of \$7,757)	-	-	1,146,370	-	1,146,370
Cemetery	-	-	-	24,320	24,320
Total operating revenue	<u>269,455</u>	<u>279,020</u>	<u>1,146,370</u>	<u>24,320</u>	<u>1,719,165</u>
Operating expenses					
Personnel	225,049	43,633	213,901	35,156	517,739
Depreciation	63,130	-	270,462	-	333,592
Repairs and maintenance	7,583	249	233,439	5,651	246,922
Professional services	20,829	202,290	4,825	-	227,944
Utilities	28,207	1,300	42,394	2,273	74,174
Chemical tests	38,303	-	-	-	38,303
Materials and supplies	20,891	3,333	7,022	5,151	36,397
Amortization	9,865	-	19,597	-	29,462
Other	2,997	-	17,909	2,989	23,895
Insurance	6,338	2,377	-	3,169	11,884
Total operating expenses	<u>423,192</u>	<u>253,182</u>	<u>809,549</u>	<u>54,389</u>	<u>1,540,312</u>
Operating income (loss)	<u>(153,737)</u>	<u>25,838</u>	<u>336,821</u>	<u>(30,069)</u>	<u>178,853</u>
Nonoperating revenue (expenses)					
Investment income	616	-	(7,665)	-	(7,049)
Interest expense	(8,874)	-	(330,056)	-	(338,930)
Total nonoperating revenue (expenses)	<u>(8,258)</u>	<u>-</u>	<u>(337,721)</u>	<u>-</u>	<u>(345,979)</u>
Income (loss) before contributions, gains, losses, and transfers	<u>(161,995)</u>	<u>25,838</u>	<u>(900)</u>	<u>(30,069)</u>	<u>(167,126)</u>
Impact fees	<u>7,092</u>	<u>-</u>	<u>2,322</u>	<u>-</u>	<u>9,414</u>
Increase (decrease) in net assets	<u>(154,903)</u>	<u>25,838</u>	<u>1,422</u>	<u>(30,069)</u>	<u>(157,712)</u>
Total net assets, July 1, 2008	<u>2,494,394</u>	<u>258,637</u>	<u>603,074</u>	<u>(46,311)</u>	<u>3,309,794</u>
Total net assets, June 30, 2009	<u>\$ 2,339,491</u>	<u>\$ 284,475</u>	<u>\$ 604,496</u>	<u>\$ (76,380)</u>	<u>\$ 3,152,082</u>

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2009

	Business-type Activities--Enterprise Funds				
	Wastewater Fund	Sanitation Fund	Water Fund	Cemetery Fund	Total
Cash flows from operating activities:					
Receipts from customers	\$ 271,602	\$ 286,924	\$ 1,207,280	\$ 24,445	\$ 1,790,251
Payments to suppliers and providers of goods and services	(194,838)	(208,705)	(426,581)	(28,918)	(859,042)
Payments to employees	(161,937)	(34,422)	(158,279)	(24,949)	(379,587)
Net cash provided by (used by) operating activities	<u>(85,173)</u>	<u>43,797</u>	<u>622,420</u>	<u>(29,422)</u>	<u>551,622</u>
Cash flows from noncapital financing activities:					
Received from other funds	52,974	-	-	-	52,974
Paid to other funds	-	-	-	(52,974)	(52,974)
Net cash provided by (used by) noncapital financing activities	<u>52,974</u>	<u>-</u>	<u>-</u>	<u>(52,974)</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Principal paid on long-term debt	(20,000)	-	(167,677)	-	(187,677)
Interest paid	(9,464)	-	(330,056)	-	(339,520)
Purchase of capital assets	-	-	(63,610)	-	(63,610)
Impact fees received	7,092	-	2,322	-	9,414
Net cash provided by (used by) capital and related financing activities	<u>(22,372)</u>	<u>-</u>	<u>(559,021)</u>	<u>-</u>	<u>(581,393)</u>
Cash flows from investing activities:					
Sale of investments	-	-	10,000	-	10,000
Interest received on investments	2,588	-	(4,832)	526	(1,718)
Net cash provided by (used by) investing activities	<u>2,588</u>	<u>-</u>	<u>5,168</u>	<u>526</u>	<u>8,282</u>
Net increase (decrease) in cash and cash equivalents	<u>(51,983)</u>	<u>43,797</u>	<u>68,567</u>	<u>(81,870)</u>	<u>(21,489)</u>
Cash and cash equivalents, July 1, 2008	<u>1,253,237</u>	<u>256,301</u>	<u>4,303,710</u>	<u>134,155</u>	<u>5,947,403</u>
Cash and cash equivalents, June 30, 2009	<u>\$ 1,201,254</u>	<u>\$ 300,098</u>	<u>\$ 4,372,277</u>	<u>\$ 52,285</u>	<u>\$ 5,925,914</u>
Cash	\$ 1,105,421	\$ 300,098	\$ 1,103,897	\$ -	\$ 2,509,416
Cash - restricted	<u>95,833</u>	<u>-</u>	<u>3,268,380</u>	<u>52,285</u>	<u>3,416,498</u>
Cash and cash equivalents, June 30, 2009	<u>\$ 1,201,254</u>	<u>\$ 300,098</u>	<u>\$ 4,372,277</u>	<u>\$ 52,285</u>	<u>\$ 5,925,914</u>

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2009
(Continued)

	Business-type Activities--Enterprise Funds				
	Wastewater Fund	Sanitation Fund	Water Fund	Cemetery Fund	Total
Reconciliation of operating income					
(loss) to net cash provided by					
(used by) operating activities:					
Operating income (loss)	\$ (153,737)	\$ 25,838	\$ 336,821	\$ (30,069)	\$ 178,853
Adjustments to reconcile operating					
income (loss) to net cash provided					
by (used by) operating activities:					
Amortization	991	-	19,597	-	20,588
Depreciation	63,130	-	270,462	-	333,592
Bad debts	12	-	7,757	-	7,769
(Increase) decrease in:					
Accounts receivable	1,800	6,774	36,018	-	44,592
Other accounts receivable	-	-	(95,045)	-	(95,045)
Increase (decrease) in:					
Accounts payable	1,163	14,919	31,111	834	48,027
Accrued expenses	(2,867)	(864)	2,564	(312)	(1,479)
Deferred revenue	335	1,130	6,459	-	7,924
Refundable deposits	-	-	10,676	125	10,801
Compensated absences	4,000	(4,000)	(4,000)	-	(4,000)
Net cash provided by (used for)					
operating activities	<u>\$ (85,173)</u>	<u>\$ 43,797</u>	<u>\$ 622,420</u>	<u>\$ (29,422)</u>	<u>\$ 551,622</u>

Noncash investing, capital, and noncapital financing activities:

The net unrealized gain on investments in the current fiscal year in the Water Fund was \$469.

The accompanying notes are an integral part of these financial statements

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Clarkdale, Arizona (Town) have been prepared in conformity with U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the Town's more significant accounting policies follows.

A. Reporting Entity

The Town is a general purpose local government that is governed by a separately elected Town Council. The accompanying financial statements present the activities of the Town (the primary government) and its component units.

Component units are legally separate entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the Town. The Town has no discretely presented component units. The following is a discussion of the Town's blended component unit.

The Town of Clarkdale Municipal Property Corporation (MPC) is a nonprofit corporation incorporated under the laws of the State of Arizona. The principal objective of the MPC is to assist the Town of Clarkdale, Arizona, in acquiring financing for various projects of the Town. The Town has a "moral obligation" for the repayment of the MPC's bonds. The MPC's board of directors consists of three members, all of which are appointed by the Town of Clarkdale, Arizona's Town Council.

B. Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the Town as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements—provide information about the primary government (the Town). The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and each segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Town does not allocate indirect expenses to programs or functions. Program revenues include:

- charges to customers or applicants for goods, services, or privileges provided,
- operating grants and contributions, and
- capital grants and contributions.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

Fund financial statements—provide information about the Town's funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary fund operating revenues, such as charges for services, result from transactions associated with the fund's principal activity in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from transactions in which the parties do not exchange equal values. Revenues generated by ancillary activities are also reported as nonoperating revenues.

The Town reports the following major governmental funds:

The ***General Fund*** is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

The ***HURF/LTAF Fund*** accounts for specific revenue received from the State of Arizona Highway User Revenue Fund and from State of Arizona Local Transportation Assistance Fund which are legally restricted to expenditures for street repairs and maintenance.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The Town reports the following major enterprise funds:

The *Wastewater Fund* accounts for the costs to operate, construct, and finance the Town's wastewater treatment system.

The *Sanitation Fund* accounts for the costs to operate and finance the Town's contracted sanitation operations. The Town does not operate a landfill.

The *Water Fund* accounts for the costs to operate and finance the Town's water system.

The *Cemetery Fund* accounts for the costs to operate the Town's cemetery. The perpetual care of the cemetery is accounted for in a governmental fund.

C. Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, and landfill closure and post closure care costs, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

The Town's business-type activities and enterprise funds follow FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Cash and Investments

For purposes of its statement of cash flows, the Town considers only those highly liquid investments with a maturity of 3 months or less when purchased to be cash equivalents.

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest-earning investment contracts with a remaining maturity of 1 year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

Cash and investments are pooled except for funds required to be held by fiscal agents or restricted under provisions of bond indentures. Interest earned from such monies is allocated to each of the funds based on the average daily cash balances.

The Town does not have a formal policy regarding the various risks associated with its deposits and investments.

E. Property Tax Calendar

Property taxes are levied on or before the third Monday in August and are payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

A lien assessed against real property assessed attaches on the first day of January preceding assessment and levy thereof.

The property tax rate for the year ended June 30, 2009, was \$0.71 per \$100 of the primary assessed valuation of \$40,697,041.

F. Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair value at the time received.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life (years)
Land	\$5,000	N/A	-
Construction in progress	5,000	N/A	-
Buildings	5,000	Straight-line	25 - 30
Improvements	5,000	Straight-line	18 - 75
Water distribution system	5,000	Straight-line	5 - 30
Sewer plant	5,000	Straight-line	75
Infrastructure	5,000	Straight-line	15
Furniture, machinery, and equipment	5,000	Straight-line	5 - 10
Vehicles	5,000	Straight-line	5 - 10

G. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

H. Allowance for Uncollectible Accounts

Allowances for uncollectible accounts receivable are estimated by the Town. The amount recorded as uncollectible at June 30, 2009 in the Wastewater, Sanitation, Water, and Cemetery Funds were \$4,096, \$2,426, \$12,252, and \$0, respectively.

I. Compensated Absences

Compensated absences consist of compensated time-off earned by employees based on services already rendered. There are three types of compensated time-off available to full-time employees: Illness Bank (IB), Paid Time Off (PTO), and Comp Time. Upon termination of employment, all unused and eligible IB, PTO, and Comp Time benefits are paid to employees. Accordingly, such benefits are accrued as a liability in the financial statements.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

At June 30, 2009, the following funds reported deficits in fund balance or net assets.

Fund	Deficit
Governmental Funds:	
General	\$ 9,384
HURF/LTAF	41,405
CDGB Grants	8,142
Capital Grants	12,135
Proprietary Funds:	
Cemetery	\$ 76,380

The governmental deficit fund balances and net assets listed above are expected to be recovered through transfers from other funds. The deficit net asset balance in the Cemetery Fund is due to the incurrence of higher than anticipated costs. The Town plans to review the operations of the Cemetery to determine appropriate measures necessary to reduce this deficit.

NOTE 3 – DEPOSITS AND INVESTMENTS

Arizona Revised Statutes (A.R.S.) authorize the Town to invest public monies in the State Treasurer's investment pool; U.S. Treasury obligations; specified state and local government bonds; and interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories. The statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

Deposits and investments at June 30, 2009 consist of the following:

Deposits	
Cash on hand	\$ 25,094
Cash in bank	333,635
Cash held in escrow	4,300
Cash held by trustee	803,372
Investments	
State Treasurer's Investment Pool	5,035,635
Total deposits and investments	6,202,036
Cash and cash equivalents - restricted	(3,416,498)
Total cash and cash equivalents	<u>\$ 2,785,538</u>

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 3 – DEPOSITS AND INVESTMENTS – Continued

Deposits—At June 30, 2009, the carrying amount of the Town's total cash in bank was \$333,635, and the bank balance was \$377,618. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining balance was covered by collateral held by the pledging financial institution in the Town's name.

Restricted cash on the Statement of Net Assets consists of the following:

Water System Improvements	\$ 2,530,740
Water System Debt Reserve	534,228
Clarkdale Water Trust Fund	173,312
MPC Trust	95,833
Customer deposits	82,385
	<u>\$ 3,416,498</u>

Investments—At June 30, 2009, the Town's investments were reported at fair value. The Town's investments consisted of the State Treasurer's Investment Pool and municipal bonds of other incorporated cities located in Arizona.

The State Board of Deposit provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. The shares are not identified with specific investments and are not subject to custodial credit risk.

Municipal bonds held by the Town at June 30, 2009 were held in trust under the Clarkdale Water Trust Fund Agreement and were restricted for purposes indicated in the agreement. Restricted interest receivable in the amount of \$616 on the Statement of Net Assets under the Water Fund was restricted for the same purpose. Municipal bonds held by the Town at June 30, 2009 consisted of the following:

	Maturity Date	Value at June 30, 2009	Par Value	Coupon Rate
TUCSON ARIZ WTR REV Bonds	07/01/09	\$ 10,001	\$ 10,000	5.00%
PHOENIX ARIZ REF-SER A Bonds	07/01/12	15,042	15,000	4.75%
		<u>\$ 25,043</u>	<u>\$ 25,000</u>	

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 568,785	\$ -	\$ (5,000)	\$ 563,785
Total capital assets not being depreciated	<u>568,785</u>	<u>-</u>	<u>(5,000)</u>	<u>563,785</u>
Capital assets being depreciated:				
Buildings and improvements	1,874,028	-	(48,500)	1,825,528
Infrastructure	422,187	329,342	-	751,529
Machinery and equipment	449,819	-	(62,378)	387,441
Vehicles	704,079	-	(12,000)	692,079
Total	<u>3,450,113</u>	<u>329,342</u>	<u>(122,878)</u>	<u>3,656,577</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,111,239)	(47,866)	48,500	(1,110,605)
Infrastructure	(45,472)	(29,976)	-	(75,448)
Machinery and equipment	(169,201)	(43,718)	50,761	(162,158)
Vehicles	(310,519)	(81,328)	12,000	(379,847)
Total	<u>(1,636,431)</u>	<u>(202,888)</u>	<u>111,261</u>	<u>(1,728,058)</u>
Total capital assets being depreciated, net	<u>1,813,682</u>	<u>126,454</u>	<u>(11,617)</u>	<u>1,928,519</u>
Governmental activities capital assets, net	<u>\$ 2,382,467</u>	<u>\$ 126,454</u>	<u>\$ (16,617)</u>	<u>\$ 2,492,304</u>

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 4 – CAPITAL ASSETS – Continued

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 630,969	\$ -	\$ (139,040)	\$ 491,929
Construction in progress	478,608	-	-	478,608
Total capital assets not being depreciated	<u>1,109,577</u>	<u>-</u>	<u>(139,040)</u>	<u>970,537</u>
Capital assets being depreciated:				
Sewer plant and equipment	4,312,564	139,040	-	4,451,604
Water distribution system	3,430,770	63,610	-	3,494,380
Total	<u>7,743,334</u>	<u>202,650</u>	<u>-</u>	<u>7,945,984</u>
Less accumulated depreciation for:				
Sewer plant and equipment	(737,829)	(63,130)	-	(800,959)
Water distribution system	(622,370)	(270,462)	-	(892,832)
Total	<u>(1,360,199)</u>	<u>(333,592)</u>	<u>-</u>	<u>(1,693,791)</u>
Total capital assets being depreciated, net	<u>6,383,135</u>	<u>(130,942)</u>	<u>-</u>	<u>6,252,193</u>
Business-type activities capital assets, net	<u>\$ 7,492,712</u>	<u>\$ (130,942)</u>	<u>\$ (139,040)</u>	<u>\$ 7,222,730</u>

Depreciation expense was charged to each function as follows:

Governmental activities:	
General government	\$ 79,348
Public safety	40,722
Highways and streets	72,846
Culture and recreation	<u>9,972</u>
Total governmental activities depreciation expense	<u>\$ 202,888</u>
Business-type activities:	
Wastewater	\$ 63,130
Water	<u>270,462</u>
Total business-type activities depreciation expense	<u>\$ 333,592</u>

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 5 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2009 consisted of the following:

State shared revenues:	
Highway user revenue fund	\$ 24,897
State sales tax	23,847
Auto lieu tax	10,335
State of Arizona grant revenues	28,503
	<u>\$ 87,582</u>

NOTE 6 – DEFERRED REVENUE

Government-wide, proprietary, and fund financial statements defer revenue on the receipt of funds that are unearned. Deferred revenue will be recognized as revenue in the period in which it is earned. In addition, governmental fund revenue must be available for financing current expenditures. As discussed in Note 1, *available* is considered received within 60 days from year end. Funds that are unavailable and or unearned are deferred in the fund statements. The following schedules detail the Town's deferred revenues for the year ended June 30, 2009.

<i>Government-wide and Proprietary funds</i>	Governmental Activities	Business-type Activities			Total
		Wastewater Fund	Sanitation Fund	Water Fund	
Builder advanced construction and planning costs	\$ -	\$ 1,826,201	\$ -	\$ -	\$ 1,826,201
Phelps Dodge effluent water credit	-	1,066,337	-	-	1,066,337
Builder advanced capacity fee	-	118,776	-	-	118,776
Prepaid building permits	-	19,591	-	-	19,591
Unapplied credits	-	335	1,130	6,459	7,924
Prepaid contract reimbursable	6,030	-	-	-	6,030
Grant advances	3,165	-	-	-	3,165
	<u>\$ 9,195</u>	<u>\$ 3,031,240</u>	<u>\$ 1,130</u>	<u>\$ 6,459</u>	<u>\$ 3,048,024</u>

<i>Governmental funds</i>	General Fund	Other Governmental	
		Funds	Total
Developer reimbursable	\$ -	\$ 124,890	\$ 124,890
Grant receivables	-	15,301	15,301
Property tax receivables	3,870	-	3,870
	<u>\$ 3,870</u>	<u>\$ 140,191</u>	<u>\$ 144,061</u>

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 7 – LONG-TERM LIABILITIES

The following schedule details the Town's long-term liability and obligation activity for the year ended June 30, 2009.

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due within 1 year
Governmental activities:					
Compensated absences	\$ 123,659	\$ 5,143	\$ -	\$ 128,802	\$ 96,602
Capital leases payable	452,066	-	171,108	280,958	179,268
Notes payable	275,000	-	25,000	250,000	-
Governmental activities long-term liabilities	<u>\$ 850,725</u>	<u>\$ 5,143</u>	<u>\$ 196,108</u>	<u>\$ 659,760</u>	<u>\$ 275,870</u>
Business-type activities:					
Compensated absences	\$ 35,144	\$ -	\$ 4,000	\$ 31,144	\$ 23,358
Bonds payable	305,000	-	20,000	285,000	20,000
Notes payable	7,225,000	-	160,000	7,065,000	160,000
Plus: deferred amount on premium	207,287	-	7,677	199,610	7,677
Business-type activities long-term liabilities	<u>\$ 7,772,431</u>	<u>\$ -</u>	<u>\$ 191,677</u>	<u>\$ 7,580,754</u>	<u>\$ 211,035</u>

Bonds Payable – The Town's bonded debt consists of a 1996 Revenue Bond issuance of \$500,000. The Revenue Bond requires repayments of interest due semi-annually starting July 1, 1997, and principle due annually starting July 1, 1997. Bonds outstanding at June 30, 2009, were as follows:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
Revenue Bonds, Series 1996	<u>\$ 500,000</u>	1997- 2016	4.50-6.35%	<u>\$ 285,000</u>

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 7 – LONG-TERM LIABILITIES – Continued

Notes Payable – The Town’s notes payable consisted of the following:

	Governmental Activities	Business-type Activities
Note payable to Greater Arizona Development Authority (GADA) requiring repayments of interest due semiannually beginning August 1, 2003 and principal payments due annually beginning August 1, 2004 with final payment due August 1, 2017. Interest rates follow a GADA bond issue rate that varies between 2.25% and 4.38%.	\$ 250,000	\$ -
Note payable to the City of Cottonwood requiring repayments of interest due annually beginning July 1, 2006 and principal payments due annually beginning July 1, 2008 with final payment due July 1, 2035. The annual interest rate varies between 3.50% and 5.00%.	-	7,065,000
	<u>\$ 250,000</u>	<u>\$ 7,065,000</u>

The following schedule details debt service requirements to maturity for the Town’s bond and notes payable at June 30, 2009.

Year Ending June 30	Governmental Activities		Business-type Activities			
	Notes Payable		Notes Payable		Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ -	\$ 10,709	\$ -	\$ 331,333	\$ 20,000	\$ 16,548
2011	25,000	9,771	160,000	324,933	25,000	15,035
2012	30,000	8,671	160,000	318,533	25,000	13,510
2013	30,000	7,471	160,000	312,133	25,000	11,973
2014	30,000	6,271	155,000	304,383	30,000	10,113
2015-19	135,000	11,857	945,000	1,406,895	160,000	14,270
2020-24	-	-	1,200,000	1,175,269	-	-
2025-29	-	-	1,485,000	855,250	-	-
2030-34	-	-	1,900,000	424,000	-	-
2035-39	-	-	900,000	23,000	-	-
Total	<u>\$ 250,000</u>	<u>\$ 54,751</u>	<u>\$ 7,065,000</u>	<u>\$ 5,475,729</u>	<u>\$ 285,000</u>	<u>\$ 81,448</u>

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 7 – LONG-TERM LIABILITIES – Continued

Capital leases – The Town has acquired office equipment and a street sweeper under the provisions of long-term lease agreements classified as a capital leases for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease term.

The assets acquired through capital leases are as follows:

	Governmental Activities
Phone system	\$ 107,530
Software	131,924
Street sweeper	179,554
Less: accumulated depreciation	<u>(81,935)</u>
Carrying value	<u><u>\$ 337,073</u></u>

The following schedule details debt service requirements to maturity for the Town's capital leases payable at June 30, 2009.

Year Ending June 30	Governmental Activities
2010	189,500
2011	77,972
2012	<u>27,198</u>
Total minimum lease payments	294,670
Less amount representing interest	<u>(13,712)</u>
Present value of net minimum lease payments	<u><u>\$ 280,958</u></u>

Interest expense – The total amount of interest expense included as direct functional expenses on the government-wide financial statements is \$29,458. \$23,073 was included as a direct functional of the general government and \$6,385 was included as a direct functional expense of highways and streets.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 8 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 – RETIREMENT PLANS

Plan Descriptions—The Town contributes to the two plans described below. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

The *Arizona State Retirement System* (ASRS) administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the Town. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The *Public Safety Personnel Retirement System* (PSPRS) is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

ASRS
3300 N. Central Ave.
Phoenix, AZ 85012-0250
(602) 240-2000

PSPRS
3010 E. Camelback Rd., Ste. 200
Phoenix, AZ 85016
(602) 255-5575

Funding Policy—The Arizona State Legislature establishes and may amend active plan members' and the Town's contribution rates.

Cost-sharing plans – For the year ended June 30, 2009, active ASRS members and the Town were each required by statute to contribute at the actuarially determined rate of 9.45 percent (8.95 percent retirement and 0.5 percent long-term disability) of the members' annual covered payroll. The Town's contributions to ASRS for the years ended June 30, 2009, 2008 and 2007, were \$131,490, \$140,302, and \$94,780, respectively, which were equal to the required contributions for the year.

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 9 – RETIREMENT PLANS – Continued

Agent plans – For the year ended June 30, 2009, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 15.48 percent.

Annual Pension Cost – The Town's pension cost for the agent plan for the year ended June 30, 2009, and related information follows.

	<u>PSPRS</u>
Contribution rates:	
City	15.48%
Plan members	7.65%
Annual pension cost	\$ 76,314
Contributions made	\$ 76,314

Annual Pension Cost—The Town's pension cost for the agent plan for the year ended June 30, 2009, and related information follows:

	<u>PSPRS</u>
Actuarial valuation date	06/30/09
Actuarial cost method	Projected Unit Credit
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	5.50%-8.50%
Includes inflation at	5.50%
Cost-of-living adjustments	None
Amortization method	Level percent-of-pay closed
Remaining amortization period	27 years for underfunded actuarial accrued liability, 20 years open for overfunded
Asset valuation method	7-year smoothed market value

Trend Information – Annual pension cost information for the current and 2 preceding years follows for each of the agent plans.

<u>Plan</u>	<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PSPRS	2009	\$ 76,314	100 %	\$ -
	2008	48,415	100 %	-
	2007	44,582	100 %	-

TOWN OF CLARKDALE, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 10 – INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables—Interfund balances at June 30, 2009, were as follows:

Payable from	Payable to		
	Non-Major Perpetual Care Fund	Major Wastewater Fund	Total
General Fund	\$ 7,837	\$ -	\$ 7,837
HURF/LTAF Fund	57,540	-	57,540
Cemetery Fund	-	112,951	112,951
	<u>\$ 65,377</u>	<u>\$ 112,951</u>	<u>\$ 178,328</u>

The above interfund receivables and payables are due to short-term borrowings of the Town's pooled cash.

NOTE 11 – BEGINNING FUND BALANCES/NET ASSETS RESTATED

Fund balance in the HURF/LTAF Fund at July 1, 2008 was restated to deduct revenue which was accrued twice in the prior year. The amount deducted from beginning fund balance was \$44,083. In addition, fund balance in the Developer Reimbursement Fund (non-major) at July 1, 2008 was restated to deduct revenue which was accrued in error in a prior period. The amount deducted from beginning fund balance was \$26,825. Beginning fund balances in the HURF/LTAF Fund and the Developer Reimbursement Fund (non-major) were \$6,356 and (\$39,451), respectively. In addition to the changes in fund balance, net assets of the governmental activities at July 1, 2008 was decreased by \$70,908.

TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedules
General Fund
June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenue				
Taxes	\$ 1,310,776	\$ 1,310,776	\$ 1,096,430	\$ (214,346)
Intergovernmental	1,130,400	1,130,400	1,079,736	(50,664)
Fines and forfeitures	115,000	115,000	51,075	(63,925)
Licenses and permits	92,500	92,500	54,475	(38,025)
Charges for services	9,750	9,750	5,164	(4,586)
Rental income	223,221	223,221	187,099	(36,122)
Contributions	76,369	76,369	32,911	(43,458)
Investment income	30,000	30,000	7,107	(22,893)
Other revenue	156,000	156,000	32,343	(123,657)
Total revenue	<u>3,144,016</u>	<u>3,144,016</u>	<u>2,546,340</u>	<u>(597,676)</u>
Expenditures				
Current				
General government	1,343,670	1,343,670	1,223,925	119,745
Public safety	968,553	968,553	919,655	48,898
Culture and recreation	203,757	203,757	178,537	25,220
Capital outlay	524,507	524,507	-	524,507
Debt service				
Principal & interest	-	-	184,769	(184,769)
Total expenditures	<u>3,040,487</u>	<u>3,040,487</u>	<u>2,506,886</u>	<u>533,601</u>
Excess (deficiency) of revenue over (under) expenditures	<u>103,529</u>	<u>103,529</u>	<u>39,454</u>	<u>(64,075)</u>
Other financing sources				
Transfers in	200,086	200,086	-	(200,086)
Transfers out	<u>(349,384)</u>	<u>(349,384)</u>	<u>(223,000)</u>	<u>126,384</u>
Total other financing sources	<u>(149,298)</u>	<u>(149,298)</u>	<u>(223,000)</u>	<u>(73,702)</u>
Net change in fund balances	<u>(45,769)</u>	<u>(45,769)</u>	<u>(183,546)</u>	<u>(137,777)</u>
Fund balances, July 1, 2008, restated	<u>174,162</u>	<u>174,162</u>	<u>174,162</u>	<u>-</u>
Fund balances, June 30, 2009	<u>\$ 128,393</u>	<u>\$ 128,393</u>	<u>\$ (9,384)</u>	<u>\$ (137,777)</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedules
HURF/LTAF Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenue				
Intergovernmental	\$ 330,479	\$ 330,479	\$ 297,630	\$ (32,849)
Charges for services	23,425	23,425	2,239	(21,186)
Rental income	-	-	17,665	17,665
Investment income	2,708	2,708	-	(2,708)
Other revenue	9,500	9,500	475	(9,025)
Total revenue	<u>366,112</u>	<u>366,112</u>	<u>318,009</u>	<u>(48,103)</u>
Expenditures				
Current				
Highways and streets	804,967	804,967	503,890	301,077
Debt service				
Principal & interest	-	-	40,797	(40,797)
Total expenditures	<u>804,967</u>	<u>804,967</u>	<u>544,687</u>	<u>253,895</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(438,855)</u>	<u>(438,855)</u>	<u>(226,678)</u>	<u>212,177</u>
Other financing sources				
Transfers in	295,265	295,265	223,000	(72,265)
Transfers out	<u>(55,607)</u>	<u>(55,607)</u>	<u>-</u>	<u>55,607</u>
Total other financing sources	<u>239,658</u>	<u>239,658</u>	<u>223,000</u>	<u>(16,658)</u>
Net change in fund balances	<u>(199,197)</u>	<u>(199,197)</u>	<u>(3,678)</u>	<u>195,519</u>
Fund balances, July 1, 2008, restated	<u>(37,727)</u>	<u>(37,727)</u>	<u>(37,727)</u>	<u>-</u>
Fund balances, June 30, 2009	<u>\$ (236,924)</u>	<u>\$ (236,924)</u>	<u>\$ (41,405)</u>	<u>\$ 195,519</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2009

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

Arizona Revised Statutes (A.R.S.) require the Town to prepare and adopt a balanced budget annually for each governmental fund. The Town Council must approve such operating budgets on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. A.R.S. prohibit expenditures or liabilities in excess of the amounts budgeted.

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Town Councils' approval.

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

The Town's budget is prepared on a basis consistent with generally accepted accounting principles.

TOWN OF CLARKDALE, ARIZONA
Required Supplementary Information
Schedule of Agent Retirement Plans' Funding Progress
June 30, 2009

Public Safety Personnel Retirement System

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
06/30/09	\$1,714,772	\$1,805,622	\$ (90,850)	95.0 %	\$ 448,426	20.3 %
06/30/08	1,500,446	1,731,088	(230,642)	86.7	464,836	49.6
06/30/07	1,257,598	1,505,533	(247,935)	83.5	403,652	61.4



**COLBY &
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Town Council
Town of Clarkdale, Arizona

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Town of Clarkdale, Arizona, as of and for the year ended June 30, 2009, which collectively comprise the Town of Clarkdale, Arizona's basic financial statements and have issued our report thereon dated February 3, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Clarkdale, Arizona's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Clarkdale, Arizona's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Clarkdale, Arizona's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Clarkdale, Arizona's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Clarkdale, Arizona's financial statements that is more than inconsequential will not be

prevented or detected by the Town of Clarkdale, Arizona's internal control. We consider the deficiency with reference number **09-01** described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

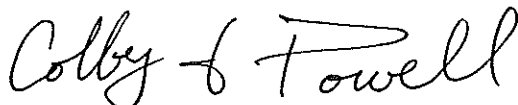
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Clarkdale, Arizona's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, the significant deficiency with reference number **09-01** we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Clarkdale, Arizona's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the audit committee, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Colby L. Powell". The signature is written in dark ink and is positioned above the date.

February 3, 2010

TOWN OF CLARKDALE, ARIZONA
Schedule of Findings and Responses
June 30, 2009

Financial Statement Findings

Prior year findings:

Item: 07-02

Subject: General ledger

Condition: The Town's general ledger required numerous adjustments in order to prepare the financial statements.

Status: This finding has been repeated as a current year finding. See 09-01.

Current year findings:

Item: 09-01

Subject: Preparation of the working trial balance

Criteria/Specific Requirements: The Town should prepare a more complete and accurate working trial balance prior to the start of the audit.

Condition: The Town did not have a complete and accurate working trial balance prior to the start of the audit.

Effect: A misstatement could occur and not be detected by management within a timely manner.

Recommendation: The working trial balance should require very few accounting adjustments prior to the start of the annual audit. All material and necessary journal entries should be recorded in the trial balance prior to the start of the annual audit.

Response: There were many system problems during the transition from the old financial accounting software to the new financial accounting software throughout the year which needed to be rectified during the year end closing process.



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO THE USES OF
HIGHWAY USER REVENUE FUND MONIES IN
ACCORDANCE WITH ARS TITLE 28, CHAPTER 18,
ARTICLE 2**

To the Town Council
Town of Clarkdale, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Town of Clarkdale as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 3, 2010.

In connection with our audit, nothing came to our attention that caused us to believe that the Town failed to use highway user revenue fund monies received by the Town pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the Town solely for the authorized transportation purposes. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of management and the members of the Arizona State Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

February 3, 2010